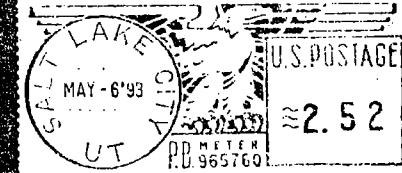


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VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Wayne E. Webster
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Athens, Texas 75751

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED
AND VIA TELECOPY/903-677-3142

Mrs. Virginia A. Sell
8127 East El Capitan
Scottsdale, Arizona 85258

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED
AND VIA TELECOPY/602-443-1783

Re: Stock Purchase Agreement by and Between Rico
Investment Corporation and Rico Development
Corporation and Wayne E. Webster and Virginia A.
Sell, Dated February 1, 1993

Dear Mr. Webster and Mrs. Sell:

Since the date of execution of the Stock Purchase Agreement (the "Purchase Agreement") among Rico Investment Corporation ("Rico Investment"), Rico Development Corporation ("Rico Development") and Wayne E. Webster and Virginia A. Sell, individually and as personal representative of the estate of Marion D. Sell ("Shareholders"), Rico Investment has proceeded with its due diligence investigation of Rico Development and the "Subject Properties" as defined in the Purchase Agreement. This letter is written on behalf of Rico Investment pursuant to Section 3.3 of the Purchase Agreement and constitutes our written notification to you of objectionable conditions discovered during the due diligence investigation.

As you are aware, Rico Investment at considerable expense retained experts to assist and advise it in connection with the examination of the Subject Properties and Rico Development. There are numerous objectionable conditions with respect to environmental matters. Our due diligence has

Rico Development Corporation
Mr. Wayne E. Webster
Mrs. Virginia A. Sell
May 6, 1993
Page 2

identified material risks associated with hazardous substances, contaminants and other environmental costs and liabilities associated with the Subject Properties, including, but not limited to, potential costs or liabilities associated with required cleanup or environmental reclamation of the Subject Properties. The principal environmental concerns are as follows:

1. St. Louis Tunnel Discharge. Rico Development is seriously out of compliance with the conditions of its discharge permits issued by the Colorado Department of Health and the Environmental Protection Agency ("EPA") with respect to the mine drainage discharged from the St. Louis Tunnel. EPA has established a compliance deadline of June 4, 1993, for Rico Development to comply with its permit requirements and has demanded that Rico Development conduct a Toxicity Reduction Evaluation to determine the cause of the compliance problems. The treatment facility and discharge have been and continue to be out of compliance, thereby subjecting Rico Development to potential enforcement action for its noncompliance, significant financial liability for bringing the discharge into compliance with permit requirements, and potential liability for damages to downstream waters and resources of the Dolores River valley.

2. St. Louis Treatment Plan Settling Ponds. Several of the 19 settling ponds located down gradient from the treatment plant are full of sludge from Rico Development's treatment operations. These ponds cannot adequately perform their treatment function unless they are cleaned out and the sludge properly disposed. The excessive sludge buildup also poses a serious risk of the ponds failing and discharging their contents into the Dolores River.

3. St. Louis Tunnel Tailings Pond and Heap Leach Facility. The settling ponds overlies historic tailings deposits containing mining waste contaminants, which pose significant environmental risk.

4. Historic Sulfuric Acid Plant. A sulfuric acid plant was previously operated on the Subject Properties and poses a significant risk of residual soil and groundwater contamination.

5. Silver Creek Tailings Pile. A large deposit of tailings is located within the Silver Creek drainage. These tailings have been identified as having potential for acid generation posing significant risk of environmental liability and potential cleanup obligations.

Rico Development Corporation
Mr. Wayne E. Webster
Mrs. Virginia A. Sell
May 6, 1993
Page 3

6. ^H Silver Swan Adit Drainage and Mine Waste Pile. Drainage from the historic mine workings poses potential water quality problems. Tailings located near the adit are potentially acid generating.

7. ^H Historic Smelter. A smelter operated in the area historically and likely left residual soil and groundwater contamination.

8. ^H Santa Cruz Adit Drainage and Mine Waste Pile. Drainage from the historic mine workings has been identified as posing water quality problems by the former owner of the Subject Properties. In addition, a mine waste pile located near the Adit has been identified as potentially acid-generating.

9. ^{KEEP IF CAN KEEP M. RIGHTS?} Miscellaneous Waste Rock Dumps, Mine Facilities Stretchers and Adit. The prior owner identified numerous physical mine hazards on the Subject Properties which may not have been removed or abated.

10. Underground Workings and Subsidence. The town of Rico is apparently underlain by extensive underground workings which have collapsed in some areas and pose a significant risk of further subsidence.

Under Section 2.17 of the Purchase Agreement, the Shareholders made representations and warranties regarding environmental or physical problems with regard to the Subject Properties. Specifically, the shareholders represented and warranted that no proceedings were pending or, to the Shareholders' best knowledge, threatened against Rico Development or the Subject Properties relating in any way to environmental laws or regulations. Our due diligence confirms that repeated notices and demands have been issued and made by state and federal environmental authorities with respect to Rico Development's continuing noncompliance with its waste water discharge permits.

The Shareholders also represented and warranted that all improvements constructed on the real property and the mineral properties were in compliance with all governmental laws, regulations, rules, and ordinances. Our due diligence confirms that, in fact, this was not and is not the case and that the Shareholders were well aware that the waste water treatment facilities were not in compliance with their permits and water quality standards and that repeated demands had been made by

Rico Development Corporation
Mr. Wayne E. Webster
Mrs. Virginia A. Sell
May 6, 1993
Page 4

state and federal environmental agencies upon Rico Development regarding the noncompliance problems.

The Shareholders represented that Rico Development had not received any notice or order from any governmental entity or private or public entity advising it that Rico Development was responsible for or potentially responsible for cleaning up any hazardous substances, pollutants or contaminants and that Rico Development had not entered into any agreements concerning such cleanup. Based on the excessive sludge buildup in the ponds and the requirements of the applicable water discharge permits, it is clear that Rico Development has an obligation to clean out those ponds and properly dispose of the sludge.

Under Section 2.19, the Shareholders further represented and warranted that there was no fact which materially adversely affects or in the future may materially adversely affect the business, prospects or financial or other condition of Rico Development or any of the Subject Properties which has not been otherwise fully disclosed. The foregoing environmental matters materially adversely affect the business and financial condition of Rico Development.

Our due diligence indicates that reclaiming the Subject Properties and bringing the treatment system into compliance would range from \$3.4 to \$3.8 million, if the sludge in the settling ponds can be handled as nonhazardous waste; if not, costs would be in the range of \$15 million. We have also determined that proper operation of the treatment plant in compliance with the Rico Development's water quality permits would range around \$100,000 per year. Currently, Rico Development is out of compliance with those permits and water quality standards, and there is the very real risk of enforcement action by state or federal authorities.

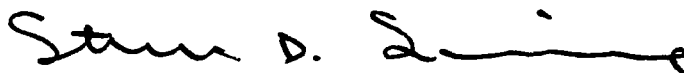
It is clear that the foregoing environmental matters materially adversely affect the financial condition of Rico Development and the Subject Properties and pose material risks to Rico Investment should it acquire the stock of Rico Development. The Shareholders failed to disclose these matters to Rico Investment prior to execution of the Purchase Agreement. All adverse information and records of non-compliance relating to the Subject Properties were obtained from state and Federal agency files and were not disclosed by Rico Development. Rico Investment relied, to its detriment, on the Shareholders' representations and expended substantial sums in conducting due diligence. If Rico Investment had been made aware of the serious

Rico Development Corporation
Mr. Wayne E. Webster
Mrs. Virginia A. Sell
May 6, 1993
Page 5

compliance and cleanup issues, it would clearly not have entered into the Purchase Agreement and risked its Earnest Money or the substantial sums for due diligence. We believe the Shareholders breached the Purchase Agreement by failing to make full disclosure and are liable to Rico Investment for its considerable damages resulting therefrom. Under the circumstances, we propose that the Purchase Agreement be terminated and that the Shareholders immediately return \$30,000.00 of the Earnest Money Deposit to Rico Investment.

Under the provisions of Section 3.3 of the Purchase Agreement, Rico Development has the option of curing the foregoing objections we have raised prior to the closing date. We seriously doubt, however, that Rico Development is able or willing to cure those objections, and in that event, Rico Investment will proceed to terminate the Purchase Agreement in accordance with Section 1.3 and seek to recover all or part of its Earnest Money Deposit. We look forward to hearing from you.

Very truly yours,



Stephen D. Swindle

SDS/sah

cc: Mr. C. Bruce Miller

Kent F. Williamson, P.C. (Via Certified Mail/Return Receipt
Requested and Via Telecopy/303-565-4641)

David L. Sell, Esq. (Via Certified Mail/Return Receipt
Requested and Via Telecopy/303-837-8977)